MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

BBF3094 – CREDIT MANAGEMENT

(All sections / Groups)

20 OCTOBER 2016
9.00 A.M. – 11.00 A.M.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 2 pages with 5 Questions only.
2. Attempt **FOUR** out of **FIVE** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

Finding capital is becoming harder for a significant proportion of small businesses despite the wider variety of financing options available. Even though there are more lending options for small businesses than ever before, a crucial step is missing in the process; and no one is paying attention, leaving business owners increasingly frustrated over their rejections for bank loans.

Studies revealed that a primary reason for small businesses failing to obtain bank loans is due to their failure in developing a proper business loan proposal.

As an entrepreneur, how would you write a business loan proposal that the bank would not resist. Provide brief description in each of the components or sections.

(Total: 25 marks)

QUESTION 2

In order to assist export-oriented industries, the government has introduced the export credit refinancing (ECR) scheme. This is to enable more direct and indirect exporters to access short term financing via commercial banks. The scheme is also meant to promote export of agriculture products and primary commodities from Malaysia.

A. What is export credit refinancing?

(5 marks)

B. Explain the methods of export credit refinancing scheme and the process flow.

(20 marks)

(Total: 25 marks)

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QUESTION 3

Assume that you are the head of the non-performing loans (NPL) division and responsible to ensure that appropriate credit risk assessment, control and provisioning processes are in place and operating effectively to maintain impairment provisions for loans at an appropriate level.

A. Why do we need to create a 'provision' for a loan loss?

(10 marks)

B. How would you classify 'provision' for loan loss?

(15 marks)

(Total: 25 marks)

QUESTION 4

Credit risk continues to remain the largest source of risk for development financial institutions (DFIs) in Malaysia. This is due to the fact that a DFI's loan/financing portfolio is typically the largest asset and the major source of revenue. The absence of proper management of such risk has resulted in significant losses for a number of DFIs.

A. What is credit risk?

(5 marks)

B. Why banks need to manage their credit risks?

(20 marks)

(Total: 25 marks)

QUESTION 5

Explain briefly the following:

A. Risks of small business

(16 marks)

B. The elements in lending cycle

(9 marks)

(Total: 25 marks)

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